



***Program Compliance Office  
Cal Grant Program Review Report***

***2003-04 Award Year***

**CSU Chico  
Program Review ID#80500114600**

**400 West First Street  
Chico, CA 95929-0705**

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**Program Review Dates:** 10/31/2005 - 11/3/2005

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(916) 526-8034

**Report Approved by:** Charles Wood, Manager  
Program Compliance Office  
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**AUDITOR'S REPORT**

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## SUMMARY

We reviewed California State University, Chico's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Non-Compliance with the Web Grants Information Security Confidentiality Agreement
- New Cal Grant B Recipient Not Eligible Due to Income Level
- Disbursement in Excess of Eligible Amount Due to Enrollment Status
- Incorrect Education Level Information
- Cal Grant Renewal Need Could Not Be Reconstructed
- 2003-04 Cal Grant Funds Not Reconciled

## BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

## Cal Grants

A, B, and T

The following information, obtained from the institution and Commission database, is provided as background on the institution:

### A. Institution

- Type of Organization: Public Institution of Higher Education
- Chancellor: Dr. Paul J. Zingg
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 16,000

### B. Institutional Persons Contacted

- Meredith Kelley Financial Aid Director
- Dan Reed: Financial Aid Associate Director
- Jamie Damon: Program Support Supervisor
- Matt Horn: Accounting Officer

### C. Financial Aid

- Date of Prior Commission Program Review: November 1997
- Branches: None
- Federal Financial Aid: Pell, SEOG, Perkins Loan, Work-Study, and Direct Loans
- Financial Aid Consultant: None

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## AUDITOR'S REPORT (continued)

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### OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 40 students who received a total of 15 Cal Grant A awards, 23 Cal Grant B awards, and 2 Cal Grant T awards within the review period. The program review sample was randomly selected from the total population of 1,771 recipients.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

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## AUDITOR'S REPORT (continued)

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**OBJECTIVES,  
SCOPE AND  
METHODOLOGY  
(continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

**CONCLUSION**

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF  
RESPONSIBLE  
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on November 3, 2005.

November 3, 2005

Charles Wood, Manager  
Program Compliance Office

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## FINDINGS AND REQUIRED ACTIONS (continued)

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A. GENERAL  
ELIGIBILITY:

**FINDING:**     **Non-Compliance with the Web Grants Information Security Confidentiality Agreement**

A review of Institution and Commission records disclosed that the school did not comply with the Web Grants Information Security and Confidentiality Agreement (Agreement).

**DISCUSSION:**

When an institution completes the Agreement, the school designates an Authorized Official (AO). The AO signs the Agreement to certify that he or she is an official of the institution. Moreover, the AO assigns person(s) to be WebGrants System Administrators.

The institution's Agreement received by the Commission in August 1999 indicated that Annette Edwards as the Institution's Authorized Official. Ms. Edwards was the former Director of Financial Aid. A discussion with the current Director of Financial Aid revealed that the institution had not yet provided an updated Agreement. *The institution was cited for this issue in a 1997 Cal Grant program review.*

**REFERENCES:**

CSAC Operations Memo, GOM 2002-07, 6/27/02  
Information Security and Confidentiality Agreement

**REQUIRED ACTION:**

Subsequent to the on-site visit, the institution submitted an updated Agreement, System Administrator and WebGrants User forms. In response to this issue, the school is required to submit written administrative procedures and controls that will be implemented to fulfill the requirements of the Agreement.

**INSTITUTION RESPONSE:**

See attached Appendix A for relevant Policies and Procedures.

**AUDITOR REPLY:**

The institution returned policies and procedures. This action is deemed acceptable and no further action is required.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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**B. APPLICANT  
ELIGIBILITY:**

**FINDING: New Cal Grant B Recipient Not Eligible Due to Income Level**

A review of 11 new Cal Grant B recipients revealed 1 case where the total income level exceeded the Cal Grant B income ceiling for the 2003-04 award year.

**DISCUSSION:**

New Cal Grant B applicants with financial need whose income does not exceed the income ceiling and meet other selection criteria are eligible to receive funds. Although the Cal Grant program is a state-funded program, applicants must submit a Free Application for Federal Student Aid (FAFSA), which provides financial and family information used to determine eligibility for both federal and state aid. The income ceilings amounts are derived from the adjusted gross income plus FAFSA Worksheet A and B minus C which equals the total income.

The dependent and independent with dependents other than spouse and independent income ceiling amounts for the 2003-04 award year are as follows:

<b>Dependent and independent with dependents other than spouse Family Size</b>	<b>Cal Grant A and C</b>	<b>Cal Grant B</b>
Six or more	77,100	42,400
Five	71,500	39,200
Four	66,700	35,100
Three	61,400	31,500
Two	60,000	28,000

<b>Independent Family Size</b>	<b>Cal Grant A, B and C</b>
Single, no dependents	24,500
Married	28,000

If a school has financial information that conflicts with that reported on the FAFSA, and if the student's award amount would be affected, the school must notify the Commission and not disburse funds, which would exceed the amount the student would be eligible to receive, based on the revised information.

Student No. 1 was a dependent student for the 2003-04 award year, the institution failed to notify the Commission of income changes that affected the students Cal Grant B eligibility.

The following table illustrates that the Cal Grant B funds disbursed were ineligible.

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**FINDINGS AND REQUIRED ACTIONS (continued)**

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House Size	Reported Total Income	Cal Grant B Income Ceiling	Correct Total Income	Cal Grant B Funds Received
3	\$22,500	\$31,500	\$39,981	\$3,597
<b>Total Ineligible 2003-04 Cal Grant B Funds Received</b>				<b>\$3,597</b>

**REFERENCES:**

California Education Code 69535(a)  
California Education Code 69538  
Institutional Participation Agreement, Article IV. A and B  
Cal Grant Manual, Chapter 3, page 3-12, June 1997  
Cal Grant Manual, Chapter 3, page 3, September 2004  
CSAC Special Alert, GSA 2002-12, 12/2/02

**REQUIRED ACTION:**

The institution must repay the **\$3,597** for student No. 1 for the 2003-04 award year. Furthermore, the school must also submit copies of the policies and procedures to ensure the Commission is notified of new Cal Grant recipient income and asset changes that affects a student's eligibility for an award.

**INSTITUTION RESPONSE #1:**

Check has been sent. Copy is enclosed.  
See attached Appendix B for relevant Policies and Procedures.

**AUDITOR REPLY #1:**

The institution returned \$3,597 on check # 219-09084 dated March 10, 2006 and policies and procedures. This action is deemed acceptable and no further action is required.

C. FUND  
DISBURSEMENT  
AND REFUNDS:

**FINDING:**     **Disbursement in Excess of Eligible Amount Due to Enrollment Status**

A review of 40 student files disclosed 1 Cal Grant B Access recipient received a disbursement in excess of the eligible amount due to enrollment status.

**DISCUSSION:**

Institutions are required to verify student eligibility at the time funds are processed to the recipient or the recipient's account. The institution must verify the enrollment status for each recipient listed on the grant roster in accordance with the established institutional policies.



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## FINDINGS AND REQUIRED ACTIONS (continued)

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The institution's enrollment status (ES) policy for Cal Grant B Access payments is as follows:

Full-time (FT):	12 units or more
Three-quarter-time (TT):	9-11.9 units
Half-time (HT):	6-8.9 units

Listed below is student No. 37 who received full time Cal Grant B Access funds in excess of what the recipient was entitled to due to their three-quarter time (TT) enrollment status.

No.	Term	Cal Grant Award Type		CSAC Paid	ES	Correct Payment	Ineligible Amount
37	FL	B	Access	776	TT	582	194
Total Ineligible Cal Grant Funds							\$194

### REFERENCES:

Institutional Participation Agreement, Article IV.C.3 & Article IV.C.4  
Cal Grant Manual, Chapter 5, pages 5-14 to 5-15 and 5-20, June 1997  
Cal Grant Manual, Chapter 9, page 3, September 2003

### REQUIRED ACTION:

The institution must repay the **\$194** ineligible amount for student No. 37 in response to this issue. This issue is deemed an isolated incident; therefore, no policies and procedures are required.

### INSTITUTION RESPONSE #1:

Check has been sent. Copy is enclosed.

### AUDITOR REPLY #1:

The institution returned \$194 on check # 219-09084 dated March 10, 2006. This action is deemed acceptable and no further action is required.

## D. ROSTERS AND REPORTS:

### FINDING 1: Incorrect Education Level (EL) Information

A review of 6 new competitive Cal Grant recipients disclosed 2 students in which the correct EL was not reported correctly to the Commission.

### DISCUSSION:

A recipient's EL determines the number of years a student will be eligible to receive Cal Grant benefits. Institutions verify each recipient's EL based on the recipient's EL at the time the student receives the initial payment.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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The undergraduate grade levels at CSU Chico are as follows:

Grade Level	Semester Units
Freshman	0 – 29
Sophomore	30 – 59
Junior	60 - 89
Senior	90+

For student Nos. 13 and 17, the grade level should have been determined using all completed units earned before the beginning of the fall 2003 term when the students received their initial Cal Grant payment.

An examination of files for student No. 13 disclosed that the institution reported the student as a grade level 2. However, academic transcripts indicate that at the start of the fall 2003 term, the student had completed 20 units, thus making them a grade level 1.

For student No. 17, the Commission records indicate that the student self-reported a grade level 2. Subsequently, the school reported the student as a grade level 3. However, academic transcripts indicate that at the start of the fall 2003 term, the student had completed 48.5 units, thus making them a grade level 2.

### REFERENCES:

Institutional Agreement IV.A  
Cal Grant Manual, Chapter 7, Section 7.4, June 1997  
Cal Grant Manual, Chapter 8, Page 5 - 6, November 2005

### REQUIRED ACTION:

In response to this finding, the institution must notify the Commission's Grant Services Division of the correct educational level determination noted above so that the student records for Nos. 13 and 17 will be adjusted to the correct grade level for fall 2003.

In addition, the institution must provide the written policies and procedures that will be put into place to ensure that the correct grade level is reported to the Commission for new Cal Grant recipients.

### INSTITUTION RESPONSE:

Commission was contacted on 3/6/06 and Grade Level was corrected for student Nos. 13 and 17.

See attached Appendix 01 for relevant Policies and Procedures.

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**FINDINGS AND REQUIRED ACTIONS (continued)**

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**AUDITOR REPLY:**

This action is deemed acceptable and no further action is required.

**D. ROSTERS AND  
REPORTS:****FINDING 2: Cal Grant Renewal Need Could Not Be Reconstructed**

A review of 23 Cal Grant renewal student files disclosed 2 students that their reported renewal need could not be reconstructed.

**DISCUSSION:**

For renewal students, schools must calculate a student's annual unmet need as a full-time student and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter. Net unmet need is defined as a student's budget minus the Expected Family Contribution (EFC) and Pell grant.

The following unmet need reported to the Commission was not adequately supported by documentation in the students' files:

ID	Need
14	\$ 4,788
20	\$14,225

**REFERENCES:**

Institutional Agreement, Article IV.B  
Cal Grant Manual, Chapter 6, pages 3 and 4, November 2003  
Cal Grant Manual, Chapter 4, June 1997

**REQUIRED ACTION:**

Although no liability resulted due to the institution's high cost of attendance and need, the institution must submit in response to this report, the procedures implemented to ensure that the reported Cal Grant renewal need reflects the recipient's annual need as a full-time student for the award year.

**INSTITUTION RESPONSE:**

See attached Appendix 02 for relevant Policies and Procedures.

**AUDITOR REPLY:**

This action is deemed acceptable and no further action is required.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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F. FISCAL  
RESPONSIBILITY:

**FINDING: 2003-04 Cal Grant Funds Not Reconciled**

A review of school accounting records revealed that Cal Grant Funds were not reconciled for the 2003-04 award year.

**DISCUSSION:**

Once the Commission advances Cal Grant funds, schools must determine and verify student eligibility before disbursing funds. The institution certifies that it has paid each student an amount that reconciles to the Commission's records.

An institution may not apply excess funds to any other student's account or to any prior year accounts. The Commission strongly recommends that institutions reconcile Cal Grant program expenditures monthly for each award year. Moreover, schools are required to make all disbursements by September 30 following the end of the award year (for example, September 30, 2004, for award year 2003-04).

The school will bear the liability for payments not reported prior to the payment deadline ("Unreported Payments"). If the institution's records of individual payments to eligible students are less than what the Commission paid, the institution must return the difference to the Commission ("Undisbursed Funds").

Furthermore, the institution must return to the Commission any funds due upon receipt of the invoice or any specific award year funds (i.e., 2002-03) remaining in its Cal Grant account. The invoice payment and any excess funds are due within thirty (30) days of the invoice date.

For the 2003-04 award year, the Commission advanced the institution \$4,374,796 and the institution reported payments in the amount of \$4,371,536. Upon further examination of institution's 2003 Cal Grant A and Cal Grant B Account Balances concluded that the school disbursed a total of \$4,370,986.30.

There was a discrepancy identified when comparing the payment data provided on the reconciliation disk provided by the school with the engagements materials to the account balances. The disk reported a total payment amount of \$4,371,479.80; a difference of \$493.50 (\$4,371,479.80 - \$4,370,986.30) in unreported payments which the Commission will not reimburse.

Based upon the institution's account balance, \$4,368,470.46 was disbursed which includes \$3,544.00 in identified payments and \$493.50 in unidentified payments were not reported to the Commission prior to the 2003-04 year-end reconciliation. The unreported identifiable payments are unable to be reimbursed and are detailed in the chart on the next page:

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**FINDINGS AND REQUIRED ACTIONS (continued)**

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**2003-04 Unreported Payments**

ID	CSAC PAID	Institution Paid	Difference
2X	\$1,551.00	\$3,597.00	\$ 2,046.00
4X	\$2,698.00	\$3,168.00	\$ 470.00
5X	\$1,581.00	\$1,582.00	\$ 1.00
7X	\$1,816.00	\$1,817.00	\$ 1.00
8X	\$1,689.00	\$1,798.00	\$ 100.00
9X	\$ 922.00	\$ 981.00	\$ 59.00
10X	\$ 776.00	\$1,427.00	\$ 651.00
11X	\$1,227.00	\$1,228.00	\$ 1.00
12X	\$3,382.00	\$3,597.00	\$ 215.00
<b>Total 2003-04 Unreported Payments</b>			<b>\$ 3,544.00</b>

The total disbursements to be reimbursed by the Commission for the 2003-04 award year equaled \$4,367,935.80 (\$4,371,479.80, - \$4,037.50). , CSU Chico disbursed \$3,600.20 (\$4,371,536 - \$4,367,935.80) less than the amount advanced by the Commission as illustrated below:

**2003-04 Undisbursed Funds**

ID	CSAC Paid	Institution Paid	Difference
1X	\$3,597.00	\$ .00	\$3,597.00
3X	\$ 205.00	\$203.00	\$ 2.00
6X	\$ 670.00	\$668.80	\$ 1.20
<b>Total 2003-04 Undisbursed Funds</b>			<b>*\$3,600.20</b>

In summary, CSU Chico's final 2003-04 Cal Grant reconciliation is as follows:

Total Institution Disbursed	\$4,371,479.80
Less Unreported Payments on disk	-3,544.00
Less Unreported Payments NOT on disk	-493.50
Total Reimbursable Payments	\$4,367,935.80
Total CSAC Advances	\$4,374,796.00
Less Funds Returned	-3,260.00
Less Reimbursable Payments	-4,367,935.80
Undisbursed Funds per disk	<b>*\$3,600.20</b>
<b>Funds returned on 10/6/05</b>	-3,597.00
Total Undisbursed Funds	<b>\$ 3.20</b>

Moreover, the institution disbursed \$3.20 less than the amount advanced by the Commission as follows:

*The institution was cited for this issue in a 1997 Cal Grant program review.*

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### REFERENCES:

California Education Code, 69535.5  
Institutional Participation Agreement, Article II.C  
Institutional Participation Agreement Article IV.D.1, IV.D.2 and IV.D.5  
Cal Grant Manual, Chapter 5, Page  
Cal Grant Manual, Chapter 6  
Cal Grant Manual, Chapter 9, Page 11

### REQUIRED ACTION:

The institution must return the **\$3.20** in undisbursed funds for student Nos. 3X (\$2.00) and 6X (\$1.20). Additionally, the institution must provide procedures for Cal Grant reconciliation that have been put into place to ensure all payment transactions are reported by the Commission deadline and undisbursed funds are returned to the Commission.

### INSTITUTION RESPONSE #1:

Check has been sent. Copy is enclosed.  
See attached Appendix E for relevant Policies and Procedures.

### AUDITOR REPLY #1:

The institution returned \$3.20 on check # 219-09084 dated March 10, 2006 and policies and procedures. This action is deemed acceptable and no further action is required.

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**ATTACHMENT A - STUDENT SAMPLE**

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<i>ID</i>	<i>Student Name</i>	<i>SSN</i>	<i>Program &amp; E/C</i>	<i>New/Renewal</i>
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